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Balancing HoA Schedules

6 November 2009

Heads of Agreement (HoA)



- Merits of the HoA v Rules to be assessed when HoA formally submitted to Gas Industry Co
- Assessment of HoA will consider:
 - the content of the HoA
 - the proposed implementation timetable
 - the degree of industry commitment
- Gas Industry Co has 'picked up the pen' to:
 - facilitate discussion on content of Schedules
 - help ensure that HoA is available in time for consideration at the December Board meeting
 - not to design a HoA that will necessarily be superior to regulation



General observations

- Many items appear to have general agreement (open balancing market etc.)
 - But, we need to flesh these out to test the level of support
- Several items are contentious (one balancing agent etc.)
 - We need to take a decision on which way to go
- Gas Industry Co will find it difficult to assess merits of HoA if there is not sufficient detail



I. Linepack management

- Some outstanding questions
 - 2BAs, 1BA, or remain silent
 - If 1 BA, who?

I. Linepack management (2)



- Content of this section could be the proposed MPOC Balancing Principles section (see Don's email 7/10)
 - But, note that the proposed principles don't meet the current draft HoA because
 - BA does not have '...no operational discretion'
 - SoPs are not '...subject to code change request procedure'
 - Also, some other matters may not be adequately covered by the Principles e.g:
 - there is a promise to 'distinguish' between gas used for managing UFG and own use, but no commitment to manage it or allocate balancing costs to MDL for not managing it
 - there is no commitment that linepack flexibility will be made available
 - VTC changes may also be necessary (if there is to be more than one BA)

I. Linepack management (3)



- Alternatively, content of this section could comprise extracts from draft Rules. Applicable rules are:
 - r8 Transmission system owners' obligation to facilitate balancing
 - r13 Functions of BA
 - r14 Functions to be carried out independently
 - r15 Management of linepack

II. Procurement of balancing resources



- Content of this section could be section 3.6 of the proposed Balancing Principles section for the MPOC (see Don's email 7/10)
 - But, note that the proposed principles don't meet the current draft HoA because there is no mention of cap or floor prices
 - Also, VTC changes may also be necessary (if there is to be more than one BA)
- Alternatively, content of this section could comprise extracts from draft Rules. Applicable rules are:
 - r16 Rules for transactions relating to balancing gas market
 - r17 Rules for transactions outside balancing gas market
 - r18 Terms of balancing gas transactions
 - r26 Monthly reports

III Open market for balancing services



- Current drafting is significantly different to what MDL has proposed (in its 'Annexure' attached to Don's 17 September email)
- To provide access to a 'Downstream Supplier' (DS), MDL essentially proposes:
 - DS must:
 - be shipper on Maui line
 - enter into balancing contract
 - make balancing contract nominations in OATIS
 - if downstream noms are required, copy them to BA
 - provide access to real time information, including metering, to confirm action
 - provide records of actions
 - allow audit

III Open market for balancing services (2)



- Downstream TSO must:
 - have Interconnection Agreement at relevant TPWP
 - agree to party being DS and provide any relevant services (allocation, title transfer etc) and indemnify MDL if a lapse of any of these arrangements is not notified to MDL
- MPOC will be modified to:
 - ensure full-recourse obligations on TPWP party (ie Vector) to recover balancing costs
 - require WPs to have an 'all reasonable endeavours' obligation to balance
 - eliminate tolerances
 - eliminate combined WP quantities
 - provide end of day cash out of ROI if balancing actions taken
 - provide for peaking charges
 - remove all references to Balancing Gas from MPOC

III Open market for balancing services (3)



- In contrast, draft HoA proposes:
 - Introducing nomination to Vector pipelines
 - Introducing Virtual Welded Points



IV Allocation of cost to causers

- Matters agreed:
 - Balancing costs allocated to causers based on rolling imbalance (or mismatch) positions at day end
 - Within-day effects handled through peaking charges (if required)
 - Pay now, dispute later
 - Damages provisions retained for WP to WP (or WP to TSO?) claims
- Matters undecided:
 - Corrections for interim and final allocations allowed?
 - Corrections for metering errors allowed?
 - If corrections are allowed should they be correct past ROI or adjust future ROI



IV Allocation of cost to causers (2)

- Tolerances held by Maui WPs and Vector shippers?
- Tolerances tradable?
- TSO also to have an ROI position (unresolved ufg, own-use gas and adjustments to target linepack)?
- Unbundle TPWPs when ROI calculated?
- MDL has MPOC changes drafted, VTC changes also required
- The relevant section of Rules are:
 - Schedule - Requirements of Balancing Plan – E Allocation Model
 - R25 Errors in allocations



V Information for pipeline users/BA

- Matters agreed:
 - MDL IX to include:
 - unvalidated and validated WP OIs and ROIs
 - AEOI cash out quantities
 - breaches of peaking limits
 - Provisional, changed provisional and intra-day SQs
 - BG puts and calls, including average price
 - (all as set out in attachment to Don's email 7/10)
- Matters undecided:
 - Separate nominations for OI payback
 - D+1 allocations
- The above goes beyond the requirements of Rules



VI Governance

- Matters agreed:
 - Disputes resolved by independent process (timely, right of appeal etc)
 - Annual audits of allocations
 - Current code change processes ok
- Matters undecided:
 - Use of Rulings Panel
 - Users able to request audit
 - D+1 allocations
- The relevant section of Rules are:
 - r55-59 Audit
 - Also, Compliance Regs to be amended to encompass Balancing Rules